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Greece

OVERALL ECONOMIC PROGRAMMING AND REGIONAL DEVELOPMENT IN GREECE

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INTRODUCTION

1. This paper is a short account of research into [1] and experience in the application of national and regional planning in Greece since 1959. [2]

2. It refers to a country which is neither underdeveloped nor completely developed, which introduced economic planning very rapidly while retaining a very large private sector in the economy and relatively very liberal foreign transactions and whose labour supply may be highly variable given its abundant outlets to other European economies.

3. Any wider significance which this account may have for other countries should therefore be regarded in the light of those circumstances.

THE NECESSARY CONDITIONS

4. Economic planning has to satisfy first of all two essential conditions: efficiency and consistency in the allocation of national resources. Furthermore, in economies with a substantial private sector, it must provide effective tools for the implementation of the objectives of the private sector. Planning for the public sector alone will fail to satisfy the condition of efficiency, while failure to provide for implementation of plans for the private sector will fail to satisfy the condition of consistency.

5. When an economy adopts economic planning almost overnight, a number of additional conditions must be satisfied,

6. The first is speed. Economic programming is a complicated and increasingly sophisticated process. It requires an infrastructure of statistical information whose proper processing takes a long time. The staffing and integration of a planning team is also a rather long highly selective process. Governments can seldom wait that long before taking major development decisions. If planning is to make an effective contribution to the economic affairs of the country, it must proceed by stages of progressive refinement. A simple, workable planning framework for macroscopic decisions has to be created within the first six-to-nine months. As the results of more detailed work become available, the initial framework can be improved and strengthened. This in turn creates the need for the plan to have a revolving character. Whatever the planning period adopted, constant improvement in the planning mechanism should lead to an annual revision of the whole plan period, incorporating the remaining years and adding as many as have elapsed so that policymakers can always have sufficient perspective in front of them.

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1 This research was carried out at the Athens Technological Institute between 1959-61 with grants from Doxiadis Associates and the Ford Foundation.

2 Ministry of Coordination, the Five-Year Development Program for Greece, Athens, 1960.

THE NATIONAL FRAMEWORK

7. Planning usually starts from the exogenously determined variables and fixes the other variables in the system so as to optimize the use of the former. Most developing countries use either the supply of external finance or their labour supply as their fixed variables. Neither of these could work in Greece since surplus labour has an outlet in Western Europe and foreign finance is obtained mostly from private sources, rather than international organizations, which fix the annual inflow both in terms of needs and the structure of the country's foreign transactions.

8. Domestic investment resources became thus the foundation of the plan framework.

9. Using the ten-year period 1950-59 basic hypotheses as to saving propensity and the marginal productivity of investment were adopted. The marginal propensity to import then served for projecting foreign payments and the permissible margins of foreign finance. These overall projections were then tested by demand analyses in each sector and through successive adjustments a revised set of projections were obtained (Figure No.I).

10. To obtain an essential degree of consistency in intersectoral allocations, sectors were classified in a sequence showing the relative dependence of one from the other. Accepted as leading sectors were those which supplied final demands or generated foreign currency for the same purpose. Project priorities were set by the marginal productivity of each project[3]. Then came producer services whose requirements varied in some relation to the growth of leading sectors. Finally, expenditures on social overhead were set so that they grew at a rate slightly less than the growth of the leading sectors, but considerably above population increase so that both monetary equilibrium and a rising per capita standard were obtained (Figure No. II). Allocations among sectors within the social overhead group were made on the basis of relative deficiency.

PRINCIPLES AND ORGANIZATION OF REGIONAL PLANNING

11. Regional Development and Planning can be conceived either as covering uniformly all the subregions of an economy or as focussing on one or few subregions.

12. Greek Development Planning was from the start based on the principles of equalizing investment returns at the margin, rather than equalizing incomes per region. Regional Planning therefore did not serve as a means of attracting to a given region more resources than opportunity cost would justify.

13. In such circumstances the organization and function of planning at the regional level is a reduced replica of the national plan serving the purpose of decentralization and coordination. If the existence of development regions with separate identity is conceded, efficiency and consistency in project priorities is

3 H.B. Chenery, The Application of Investment Criteria, Quarterly Journal of Economics, February, 1953.

obtained, when project proposals reach the National Plan, not through independent specialized field services, but as coordinated plans through planning agencies.

14. The functions involved in the planning process are: survey, programming, execution. The authorities involved are the Central Plan, the Regional Plans, the specialized Ministries, their field offices, and finally the townships. The projects are classified as national, whose importance transcends the boundaries of a single region, regional and local, significant only within a township. The distribution of functions among authorities for different projects is shown in an oversimplified manner in Figure No. III.

15. The potential of each region may be defined as the product of its hitherto unexploited natural resources on one hand and the influence which its current level of socio-economic development has for the future on the other. In the definition of regions the sequence of criteria used was as follows:

16. The physical criterion. The mountainous and insular character of the country helped a first stage division into agricultural valleys whose identity was more or less given by physical environment. The valleys were then grouped into larger rural regions defined by the relative homogeneity of their soil potential and facility of physical access. Non agricultural resources (minerals, fuels, water) were included in these major agricultural regions thus giving a first subdivision of areas of current and potential primary production.

17. The ekistic criterion[4]. Economic activity is increasingly of a secondary and tertiary nature carried on in ever larger settlements. Hence the pattern of settlements in each primary area was analysed in terms of their role as market, processing and transhipment centers for primary activity and region boundaries, adjusted accordingly.

18. The administrative criterion. The largest administrative subdivision being very small (an average of 2,500 sq.kms.) to satisfy criteria of economic uniformity or viability, regions were finally adjusted to coincide with the perimeter of five-to-ten such subdivisions.

TOOLS FOR PLAN IMPLEMENTATION

19. In an economy with a large private sector and liberal external transactions the problem of plan implementation is important but if tackled properly not as complex as at first sounds.

20. The sectors of power, transport routes, communications, education, health and social security covering over a third of total investments are under direct Government control.

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4 From the Greek root "OIKOS" meaning home, settlement.

21. Agriculture relies for both short and long-term financing on a Government owned Agricultural Bank which can thus influence development there

22. Intensive planning in the sector of tourism has shown that private enterprise in a developing country, lacking the resources to do its own planning and research, will easily respond to carefully prepared public plans accompanied by proper incentives of which finance is not always the most important. This same experience can be applied to the sector of manufacturing. Locating sound investment possibilities is a greater handicap to private enterprise in developing countries than lack of finance and in turn a powerful tool in the hands of planners if they can perform this task. This however is a big "if". Planning of the manufacturing sector to a degree acceptable to private enterpreneurs is a long, difficult and expensive task. But there seems to be no alternative to a consistent implementation of the overall plans. Finally, private housing is easily amenable to fiscal controls. It is needless to mention here the customary credit, fiscal and other traditional tools by which Government can control the performance of the economy.

23. A word of caution is necessary here. These comments show the technical possibilities that exist. The adoption of these measures in the proper manner and time is a political process which does not always coincide with the planner's aspirations.

Figure I. A Schematic Approach to Greek Development Programming

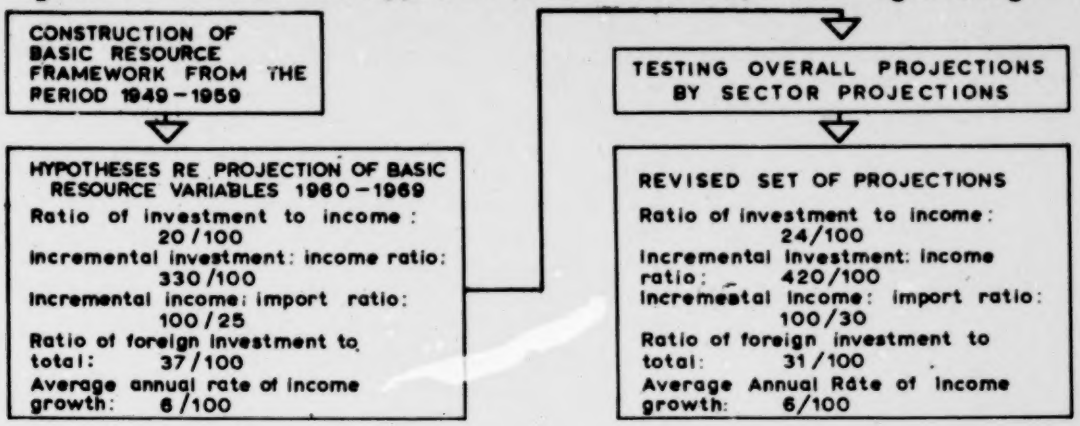
CONSTRUCTION OF BASIC RESOURCE FRAMEWORK FROM THE PERIOD 1949-1959
HYPOTHESES RE PROJECTION OF BASIC RESOURCE VARIABLES 1960-1969
Ratio of investment to income: 20/100
Incremental investment: income ratio: 330/100
Incremental income: import ratio: 100/25
Ratio of foreign investment to total: 37/100
Average annual rate of income growth: 6/100
TESTING OVERALL PROJECTIONS BY SECTOR PROJECTIONS
REVISED SET OF PROJECTIONS
Ratio of investment to income: 24/100
Incremental investment: income ratio: 420/100
Incremeatal income: import ratio: 100/30
Ratio of foreign investment to total: 31/100
Average Annual Rate of income growth: 6/100

Figure II. Sector Classification for Purposes of Determining Inter-dependence & Resource Allocation.

LEADING SECTORS	PRODUCER SERVICES	SOCIAL OVERHEAD
AGRICULTURE GENERALLY		
MANUF AND MINING		
TOURISM		
SHIPPING	SHIPPING	
	OTHER TRANSPORT	
	POWER	
	TELECOMMUNICATIONS	
	EDUCATION	EDUCATION
	HOUSING	HOUSING
		HEALTH
		SOSIAL SECURITY

Figure III. Distribution of Functions in National & Regional Development.

TYPE OF RROJECT	AGENCIES RESPONSIBLE		
NATIONAL PROJECTS	MINISTRIES	CENTRAL PLAN	MINISTRIES
REGIONAL PROJECTS	MINISTRY FIELD POSTS	REGIONAL PLAN	MINISTRY FIELD POSTS
LOCAL PROJECTS	TOWNSHIPS	REGIONAL PLAN	TOWNSHIPS
	SURVEY	PROGRAMMING	EXECUTION
	DEVELOPMENT FUNCTIONS		

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